

**FRANKLIN TOWNSHIP  
CLARE COUNTY, MICHIGAN**

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**FINANCIAL STATEMENTS  
For The Year Ended March 31, 2004**

18-1020

 **Burnside & Lang, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

*Accounting Solutions That Foster Success*

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

|   |                             |  |                 |
|---|-----------------------------|--|-----------------|
| Local Government Type<br><input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other |                             | Local Government Name<br>Franklin Township | County<br>Clare |
| Audit Date<br>March 31, 2004  | Opinion Date<br>May 6, 2004 | Date Accountant Report Submitted to State: |                 |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

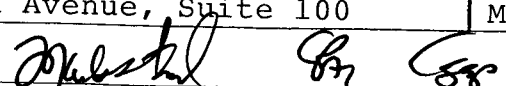
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

|   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   | X        |                 |              |
| Reports on individual federal financial assistance programs (program audits). |          |                 | X            |
| Single Audit Reports (ASLGU).   |          |                 | X            |

|   |  |                 |             |
|---|--|-----------------|-------------|
| Certified Public Accountant (Firm Name)<br>Burnside & Lang, P.C.  |  |                 |             |
| Street Address<br>5915 Eastman Avenue, Suite 100  |  | City<br>Midland | State<br>MI |
| Accountant Signature<br> |  | ZIP<br>48640    |             |

FRANKLIN TOWNSHIP

BOARD OF TRUSTEES

Richard Ecklin

Supervisor

Jenette Hopkins

Clerk

Lois Matthews

Treasurer

Elaine Ecklin

Trustee

Beverly Johnson

Trustee

TOWNSHIP POPULATION-2000

809

STATE EQUALIZED VALUE-2003

\$36,592,300

STATE TAXABLE VALUE-2003

\$21,992,438

**FRANKLIN TOWNSHIP  
CLARE COUNTY, MICHIGAN**

**AUDITED FINANCIAL STATEMENTS  
MARCH 31, 2004**

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Independent Auditors' Report

Members of The Township  
Board of Trustees  
Franklin Township  
Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin Township, Clare County, Michigan, as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board of Trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin Township, Clare County, Michigan, as of March 31, 2004, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 7, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as of March 31, 2004.

The budgetary comparison information on page 17 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
Midland, Michigan

May 6, 2004

Audit & Assurance Services ■ Accounting & Finance Services ■ Estate & Gift Tax Planning & Consulting  
Tax Planning & Preparation ■ Financial & Management Assistance ■ Business Valuations

**FRANKLIN TOWNSHIP**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**March 31, 2004**

|                                 |                          |
|---------------------------------|--------------------------|
| <b>ASSETS</b>                   |                          |
| Cash and cash equivalents       | \$ 188,535               |
| Investments                     | 82,848                   |
| Taxes receivable - current      | 10,922                   |
| Other receivables               | 56,095                   |
| Capital assets:                 |                          |
| Land                            | 8,775                    |
| Buildings and improvements, net | -                        |
| Township equipment, net         | 5,035                    |
| Total capital assets            | <u>13,810</u>            |
| <b>Total assets</b>             | <b><u>352,210</u></b>    |
| <b>NET ASSETS</b>               |                          |
| Invested in capital assets      | 13,810                   |
| Restricted for:                 |                          |
| Road repair and maintenance     | 180,161                  |
| Unrestricted                    | 158,239                  |
| <b>Total net assets</b>         | <b><u>\$ 352,210</u></b> |

The accompanying notes are an integral part of these financial statements.

**FRANKLIN TOWNSHIP**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**Year Ended March 31, 2004**

| Activities:                                 | Expenses          | Program Revenues                           |  |  | Net (Expenses)<br>Revenues and<br>Changes in<br>Net Assets |
|---|-------------------|--|--|--|--|
|   |                   | Fees, Fines and<br>Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |  |
| General Government:                         |                   |  |  |  |  |
| Township board                              | \$ 15,411         | \$ -                                       | \$ -                                     | \$ -                                   | \$ (15,411)  |
| Supervisor                                  | 9,795             | -  | -  | -                                      | (9,795)  |
| Treasurer                                   | 21,404            | 3,715                                      | -  | -                                      | (17,689)   |
| Assessing                                   | 16,455            | -  | -  | -                                      | (16,455)   |
| Clerk                                       | 11,038            | -  | -  | -                                      | (11,038)   |
| Elections                                   | 60                | -  | -  | -                                      | (60)   |
| Board of review                             | 1,480             | -  | -  | -                                      | (1,480)  |
| Buildings and grounds                       | 6,370             | -  | -  | -                                      | (6,370)  |
| All other general government                | 1,410             | -  | -  | -                                      | (1,410)  |
| Fire protection                             | 10,141            | -  | -  | -                                      | (10,141)   |
| Road repair and maintenance                 | 1,400             | -  | -  | -                                      | (1,400)  |
| <b>Total governmental activities</b>        | <b>\$ 100,838</b> | <b>\$ 3,715</b>                            | <b>\$ -</b>                              | <b>\$ -</b>                            | <b>(97,123)</b>  |
| General revenues:                           |                   |  |  |  |  |
| Property taxes, levied for general purposes |                   |  |  |  | 27,836   |
| Property taxes, levied for road maintenance |                   |  |  |  | 41,657   |
| State revenue sharing                       |                   |  |  |  | 57,949   |
| Interest earnings                           |                   |  |  |  | 14,507   |
| Miscellaneous                               |                   |  |  |  | 447  |
| Total general revenues                      |                   |  |  |  | 142,396  |
| Change in net assets                        |                   |  |  |  | 45,273   |
| Net assets-beginning                        |                   |  |  |  | 306,937  |
| <b>Net assets-ending</b>                    |                   |  |  |  | <b>\$ 352,210</b>  |

The accompanying notes are an integral part of these financial statements.

**FRANKLIN TOWNSHIP**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**March 31, 2004**

|                               | <u>General<br/>Fund</u>  | <u>Road<br/>Fund</u>     | <u>Total</u>             |
|-------------------------------|--------------------------|--------------------------|--------------------------|
| <b>ASSETS</b>                 |                          |                          |                          |
| Cash and cash equivalents     | \$ 92,314                | \$ 96,221                | \$ 188,535               |
| Investments                   | 40,565                   | 42,283                   | 82,848                   |
| Taxes receivable, net         | 4,043                    | 6,879                    | 10,922                   |
| Due from other township funds | 21,317                   | 34,778                   | 56,095                   |
| <b>Total assets</b>           | <u><u>\$ 158,239</u></u> | <u><u>\$ 180,161</u></u> | <u><u>\$ 338,400</u></u> |
| <b>FUND BALANCES</b>          |                          |                          |                          |
| Unreserved and undesignated   | \$ 158,239               | \$ 180,161               | \$ 338,400               |
| <b>Total fund balances</b>    | <u><u>\$ 158,239</u></u> | <u><u>\$ 180,161</u></u> | <u><u>\$ 338,400</u></u> |

The accompanying notes are an integral part of these financial statements.



**FRANKLIN TOWNSHIP**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**March 31, 2004**

|  |            |
|--|------------|
| Total fund balances for governmental funds (Exhibit 3) | \$ 338,400 |
|--|------------|

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

|  |               |               |
|--|---------------|---------------|
| Land   | \$ 8,775      |               |
| Buildings and improvements, net of \$25,636 accumulated depreciation | -             |               |
| Township equipment, net of \$24,444 accumulated depreciation         | 5,035         |               |
| Total capital assets   | <u>13,810</u> | <u>13,810</u> |

|   |                   |
|---|-------------------|
| Total net assets of governmental activities (Exhibit 1) | <u>\$ 352,210</u> |
|---|-------------------|

The accompanying notes are an integral part of these financial statements.

**FRANKLIN TOWNSHIP**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES**  
**For the Year Ended March 31, 2004**

|                                    | <b>General<br/>Fund</b> | <b>Road<br/>Fund</b> | <b>Total</b>      |
|------------------------------------|-------------------------|----------------------|-------------------|
| <b>REVENUES</b>                    |                         |                      |                   |
| Property taxes                     | \$ 31,551               | \$ 41,657            | \$ 73,208         |
| State aid                          | 57,949                  | -                    | 57,949            |
| Interest and dividends             | 5,017                   | 9,490                | 14,507            |
| Rents and royalties                | 89                      | -                    | 89                |
| Miscellaneous                      | 358                     | -                    | 358               |
| <b>Total revenues</b>              | <b>94,964</b>           | <b>51,147</b>        | <b>146,111</b>    |
| <b>EXPENDITURES</b>                |                         |                      |                   |
| General government                 | 80,935                  | -                    | 80,935            |
| Public safety                      | 12,779                  | -                    | 12,779            |
| Public works                       | -                       | 1,400                | 1,400             |
| <b>Total expenditures</b>          | <b>96,950</b>           | <b>1,400</b>         | <b>98,350</b>     |
| <b>Net change in fund balances</b> | <b>(1,986)</b>          | <b>49,747</b>        | <b>47,761</b>     |
| Fund balances-beginning            | 160,225                 | 130,414              | 290,639           |
| <b>Fund balances-ending</b>        | <b>\$ 158,239</b>       | <b>\$ 180,161</b>    | <b>\$ 338,400</b> |

The accompanying notes are an integral part of these financial statements.

**FRANKLIN TOWNSHIP  
RECONCILIATION OF THE STATEMENT OF REVENUE,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
March 31, 2004**

|   |                  |
|---|------------------|
| Net change in fund balances - total governmental funds (Exhibit 4)  | \$ 47,761        |
| The change in net assets reported for governmental activities in the statement of activities is different because:  |                  |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$0) exceeded depreciation (\$2,488) in the current period. | <u>(2,488)</u>   |
| Change in net assets of governmental activities (Exhibit 2)   | <u>\$ 45,273</u> |

The accompanying notes are an integral part of these financial statements.

**FRANKLIN TOWNSHIP**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**CURRENT TAX FUND**  
**March 31, 2004**

**ASSETS**

|                           |               |
|---------------------------|---------------|
| Cash and cash equivalents | \$ 56,095     |
| Total assets              | <u>56,095</u> |

**LIABILITIES**

|                    |               |
|--------------------|---------------|
| Due to other funds | 56,095        |
| Total liabilities  | <u>56,095</u> |

**NET ASSETS**

|             |
|-------------|
| <u>\$ -</u> |
|-------------|

The accompanying notes are an integral part of these financial statements.

**FRANKLIN TOWNSHIP  
CLARE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

**A. Reporting Entity**

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contribution that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**FRANKLIN TOWNSHIP  
CLARE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township property tax is levied each December 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31<sup>st</sup>. Real property taxes not collected as of March 1<sup>st</sup> are turned over to Clare County, which advances the Township 100% for the delinquent taxes.

The 2003 taxable valuation of the Township totaled \$22.0 million, on which ad valorem taxes levied consisted of .8432 mills for Township operating purposes, and 1.8941 mills for road repair and maintenance. These amounts are recognized in the General Fund and Road Fund as current tax revenue.

The government reports the following major funds:

The General Fund is the governments primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**FRANKLIN TOWNSHIP  
CLARE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(Continued)**

The Road Fund accounts for the repair and maintenance of roads within the Township.

The Current Tax Collection Fund is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**D. Assets, Liabilities, and Net Assets**

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

**FRANKLIN TOWNSHIP  
CLARE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Net Assets (Continued)**

Capital Assets—Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$200 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

|                           |                |
|---------------------------|----------------|
| Building and improvements | 25 to 40 years |
| Furniture and equipment   | 5 to 20 years  |

Long-Term Obligations—In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.



**FRANKLIN TOWNSHIP  
CLARE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2004**

**NOTE 2. DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

|                           | <b>Governmental<br/>Activities</b> | <b>Fiduciary<br/>Funds</b> | <b>Total</b>      |
|---------------------------|------------------------------------|----------------------------|-------------------|
| Cash and cash equivalents | \$ 188,535                         | \$ 56,095                  | \$ 244,630        |
| Investments               | 82,848                             |                            | 82,848            |
| Total                     | <u>\$ 271,383</u>                  | <u>\$ 56,095</u>           | <u>\$ 327,478</u> |

The breakdown between deposits and investments is as follows:

|  |                   |
|--|-------------------|
| Bank Deposits (checking and<br>savings, certificates of deposit) | \$ 244,630        |
| Investments in Securities, Mutual<br>Funds and Similar Vehicles  | 82,848            |
| Total  | <u>\$ 327,478</u> |

**FRANKLIN TOWNSHIP  
CLARE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2004**

**NOTE 2. DEPOSITS AND INVESTMENTS (Continued)**

The bank balance of the government deposits is \$244,153, of which \$141,524 is covered by federal deposit insurance.

The Township's investments are categorized as risk category 1, which gives an indication of the level of risk assumed by the entity. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

**NOTE 3. CAPITAL ASSETS**

Capital asset activity of the Township for the current year was as follows:

| <b>Governmental Activities</b>                                | <b>Beginning<br/>Balance</b> | <b>Increases</b> | <b>Decreases</b> | <b>Ending<br/>Balance</b> |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital Assets Not Being Depreciated                          |                              |                  |                  |                           |
| Land  | \$ 8,775                     | \$ -             | \$ -             | \$ 8,775                  |
| Capital Assets Being Depreciated                              |                              |                  |                  |                           |
| Buildings and improvements                                    | 25,636                       | -                | -                | 25,636                    |
| Furniture and equipment                                       | 29,479                       | -                | -                | 29,479                    |
| Subtotal  | 55,115                       | -                | -                | 55,115                    |
| Less Accumulated Depreciation for                             |                              |                  |                  |                           |
| Buildings and improvements                                    | 25,636                       | -                | -                | 25,636                    |
| Furniture and equipment                                       | 21,956                       | 2,488            | -                | 24,444                    |
| Subtotal  | 47,592                       | 2,488            | -                | 50,080                    |
| Net Capital Assets Being Depreciated                          | 7,523                        | (2,488)          | -                | 5,035                     |
| Governmental Activities Capital<br>Assets-Net of Depreciation | \$ 16,298                    | \$ (2,488)       | \$ -             | \$ 13,810                 |

**FRANKLIN TOWNSHIP  
CLARE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2004**

**NOTE 3. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to programs of the Township as follows:

|   |                 |
|---|-----------------|
| Furniture and equipment - Supervisor's office | \$ 543          |
| Furniture and equipment - Clerks's office     | 505             |
| Furniture and equipment - Treasurer's office  | 585             |
| Furniture and equipment - Fire Hall           | 153             |
| Furniture and equipment - Town Hall           | 702             |
|   | <hr/>           |
| Total depreciation expense                    | <u>\$ 2,488</u> |

**NOTE 4. RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

**NOTE 5. PENSION PLAN**

The Township provides pension benefits to all its employees, who have attained 18 years of age, through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township contributes 12% of each participant's compensation plus a past service credit calculated as 3% of current compensation for each year of past service to a maximum of ten years.

In accordance with these requirements, the Township contributed \$4,695 during the fiscal year ended March 31, 2004.

**NOTE 6. LANDFILL**

The Township owned and operated a landfill from the mid 1940's to the late 1980's. In 1992 the Township received a grant from the Michigan Department of Natural Resources to properly close the landfill. The grant agreement stipulates monitoring of the site and the submission of bi-annual "Postclosure Inspection Reports" for a 30 year period, which began July 1, 1993.

**FRANKLIN TOWNSHIP  
CLARE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2004**

**NOTE 7. IMPLEMENTATION OF NEW ACCOUNTING STANDARD**

As of and for the year ended March 31, 2004, the Township implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

**FRANKLIN TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended March 31, 2004**

|                                    | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>     | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|------------------------------------|----------------------------|-------------------------|-------------------|---|
| <b>REVENUES</b>                    |                            |                         |                   |   |
| Property taxes and related fees    | \$ 32,534                  | \$ 32,534               | \$ 31,551         | \$ (983)  |
| State aid                          | 60,000                     | 60,000                  | 57,949            | (2,051)   |
| Interest and dividends             | 5,500                      | 5,500                   | 5,017             | (483)   |
| Rents and royalties                | 60                         | 60                      | 89                | 29  |
| Miscellaneous                      | 510                        | 510                     | 358               | (152)   |
| <b>Total revenues</b>              | <b>98,604</b>              | <b>98,604</b>           | <b>94,964</b>     | <b>(3,640)</b>  |
| <b>EXPENDITURES</b>                |                            |                         |                   |   |
| General Government:                |                            |                         |                   |   |
| Towship board                      | \$ 21,989                  | \$ 21,989               | \$ 15,411         | \$ 6,578  |
| Supervisor                         | 10,154                     | 10,154                  | 9,252             | 902   |
| Treasurer                          | 24,000                     | 24,000                  | 20,819            | 3,181   |
| Assessing                          | 23,545                     | 23,545                  | 16,455            | 7,090   |
| Clerk                              | 13,730                     | 13,730                  | 10,533            | 3,197   |
| Elections                          | 250                        | 250                     | 60                | 190   |
| Board of review                    | 2,100                      | 2,100                   | 1,480             | 620   |
| Buildings and grounds              | 10,250                     | 10,250                  | 5,515             | 4,735   |
| All other general government       | 7,000                      | 7,000                   | 1,410             | 5,590   |
| Public Safety:                     |                            |                         |                   |   |
| Fire protection contract           | 10,141                     | 10,141                  | 10,141            | -   |
| Regulation activities              | 3,900                      | 3,900                   | 2,638             | 1,262   |
| Public Works:                      |                            |                         |                   |   |
| Landfill                           | 1,000                      | 1,000                   | -                 | 1,000   |
| Recreation and Culture:            |                            |                         |                   |   |
| Library contract                   | 3,236                      | 3,236                   | 3,236             | -   |
| <b>Total expenditures</b>          | <b>131,295</b>             | <b>131,295</b>          | <b>96,950</b>     | <b>34,345</b>   |
| <b>Net change in fund balances</b> | <b>(32,691)</b>            | <b>(32,691)</b>         | <b>(1,986)</b>    | <b>30,705</b>   |
| Fund balances-beginning            | 160,225                    | 160,225                 | 160,225           | -   |
| <b>Fund balances-ending</b>        | <b>\$ 127,534</b>          | <b>\$ 127,534</b>       | <b>\$ 158,239</b> | <b>\$ 30,705</b>  |